

Belgian Cherry on Indian pie

NICK MEYNEN, a Belgian journalist, discovers the fraud of Indian CDM projects. Excerpts from his research here.

The North-South part of the \$100 billion carbon market is regulated by the Clean Development Mechanism (CDM), which should also bring sustainable development to the South. But sustainable destruction and massive fraud are better descriptions of reality. In Belgium, a country obliged to reduce greenhouse gas emissions, a climate minister faces a simple choice: invest in reductions at home or pay someone else to do it. Like the Yash Paper Limited, a paper factory in Faizabad, UP. Santosh Kumar Pandey, the financial manager of Yash Paper Limited, asks me on arrival if I already noticed the frequent power cuts in my hotel, which I did. He explains that 'Then you understand that producing electricity at the site of the factory is a minimum condition to keep our business running'. And indeed, annual reports dating back to 2001 confirm they did not buy electricity from the grid and instead used a biomass boiler. The paper mill is running on 100% green electricity long before any carbon market existed. How then does Belgium pay a non-emitting Indian company to *reduce* emissions.

When production capacity increased fourfold in 2006, there was a need for more electricity. In the document filed at the UN to get money through the CDM, the company claims that: 'the project activity is (a) change from a fossil fuel usage to biomass that will lead to the reduction of Green House Gases.' Never mind that Yash Paper Limited never used fossil fuels. Is getting cash that easy? No, a company also has to show that there are certain 'investment barriers' which show the need for money to overcome them. In March 2005, Yash Paper submitted a prospectus of their new biomass boiler to the Securities and Exchange Board of India. The cost per MW for the new boiler was estimated to be Rs 19.56 million. No mention of investment barriers. A year later, the cost for installing almost the same boiler became Rs 73 million per MW, when submitted at the UNFCCC's CDM board, showing the 'clear need for CDM money'. A very similar boiler installation in India costs 21 million Rs per MW. This is what they call 'barrier inflation' or: fraud.

A Delphi survey, conducted in 2007, showed that 86 % of the participants affirmed that 'in many cases, carbon revenues are the icing on the cake, but are not decisive for the investment decision'. Although subsidizing a green company in India with tax money from Belgium is very generous of my government, it is not doing anything to the problem of global warming. In this fraud, Yash Paper wins, but so many more Indians who already suffer from climate change lose. Especially as Yash is no exception. Himanshu Thakkar from SANDRP: 'From all 12 projects which I have screened vigorously, none reduced emissions.' Barbara Haya from California University studied 85 CDM projects in India and China in the last six years and she says: 'well over 50% are non-additional'. In normal language: more than half do not do anything extra, are a fraud, or in this case: hot air. They only makes us *think* we are stopping global warming, but that's only part of the problem.

The 412 MW World Bank funded, Rampur hydroelectric power project wants to get CDM registration. It is a run of the river project which means no huge reservoir or mass displacement of people. And yet, environmental destruction all around the project is huge and local inhabitants are unhappy. Villagers are reporting dust-problems, lower and polluted harvests, sick animals, more asthma and higher transportation cost to get clean fodder from far away. When I see a cement truck leaking water on the road and ask Kailash Bramta, president of the committee for affected people, if the company is trying to deal with the problem by sprinkling water on the road, he lets Rajesh Negi from Sarpata village, answer.

While showing me strange spots on his neck and hands, he claims that: 'Since SJVNL uses chemicals to clean their trucks, everybody here is getting skin allergies.'

It doesn't stop there. The tunnel which they are building to generate hydropower diverts underground water away from the village sources. There's no Catchment Area Treatment Plan and after four years of inaction, SJVNL only recently paid one fourth of the money needed to construct the promised Drinking water Scheme to restore the damage. While a river is being build under their feet, the villagers are facing an acute shortage of water.

In Aberi village, I take out a copy of the rehabilitation and resettlement plan and start quoting: a drinking water scheme, school furniture, free cookers for each affected household, ... but the villagers start laughing. For the hundreds of affected people in the area, the project has not brought any sustainable development, it has rather brought them sustainable destruction. Vimal Bhai, an expert in water projects in India, claims that: 'This project is not cleaning the environment, it is wiping out the environment'. Eva Filzmoser from CDMWatch: 'What I'm mainly missing is the overarching goal to bring about sustainable development'.

The World Bank, who gives loans, has a few criteria before giving support. Crucial is the 'prior and informed consent' of all project affected people. But no matter which village head we showed the rehabilitation and resettlement plan or the Environment Impact Assessment Report, nobody had ever seen them. Jogender: 'One day they asked me and other village leader to sign a blank paper, but we refused.' I know that they did manage to let other villagers sign the blank papers.' According to official procedures, the No Objection Certificates (NOCs) have to be discussed inside the *gram sabha* and approved by a majority. But all interviewees assured me that in not a single of the eight villages the *gram sabha* was convened.

Now that more then 70% of the construction is completed, the developers suddenly ask to become registered as a CDM project. Never mind that the whole idea is to give money to do something extra. The history of a fraud in the making is so obvious that one wonders why they put so much money into verification. The Indian company SJVNL signed a deal on 20 October 2004 with the Indian State of Himachal Pradesh to build a tunnel for a large hydro-electric project. On 10 June 2005 the details of the costs and incomes are submitted to the official electricity board of India. Not a word on CDM credits. Suddenly, on 13 March 2007, 2.5 years after the contract was signed, SJVNL signs a deal with the International Bank for Reconstruction and Development (IBRD) from the World Bank, who acts as an intermediary for the Spanish Carbon Fund. In this deal, CDM money is needed. Again, there's an unexplainable inflation of the foreseen costs, in this case for more then 10 million euro. The company's claim that there's a bad investment climate in India for these projects is a bad joke. India is pushing developers long before the CDM existed in all possible ways to implement large hydro-electric projects. India has a growing power deficit and big rivers gushing down from the Himalaya have a huge power potential. Building big hydro-projects is very much business as usual, with or without money from the carbon market. The difference is that the West now uses the Indian business as usual scenario to claim emission reductions which they do not want to make themselves at home. It gives them the right to keep polluting, as their reduction efforts are offset. And it gives big Indian industries windfall profits. Both are happy with that.

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